

ANNUAL REPORT FOR FISCAL YEAR 2021

Office of the Advocate for  
Small Business  
Capital Formation

U.S. SECURITIES AND EXCHANGE COMMISSION

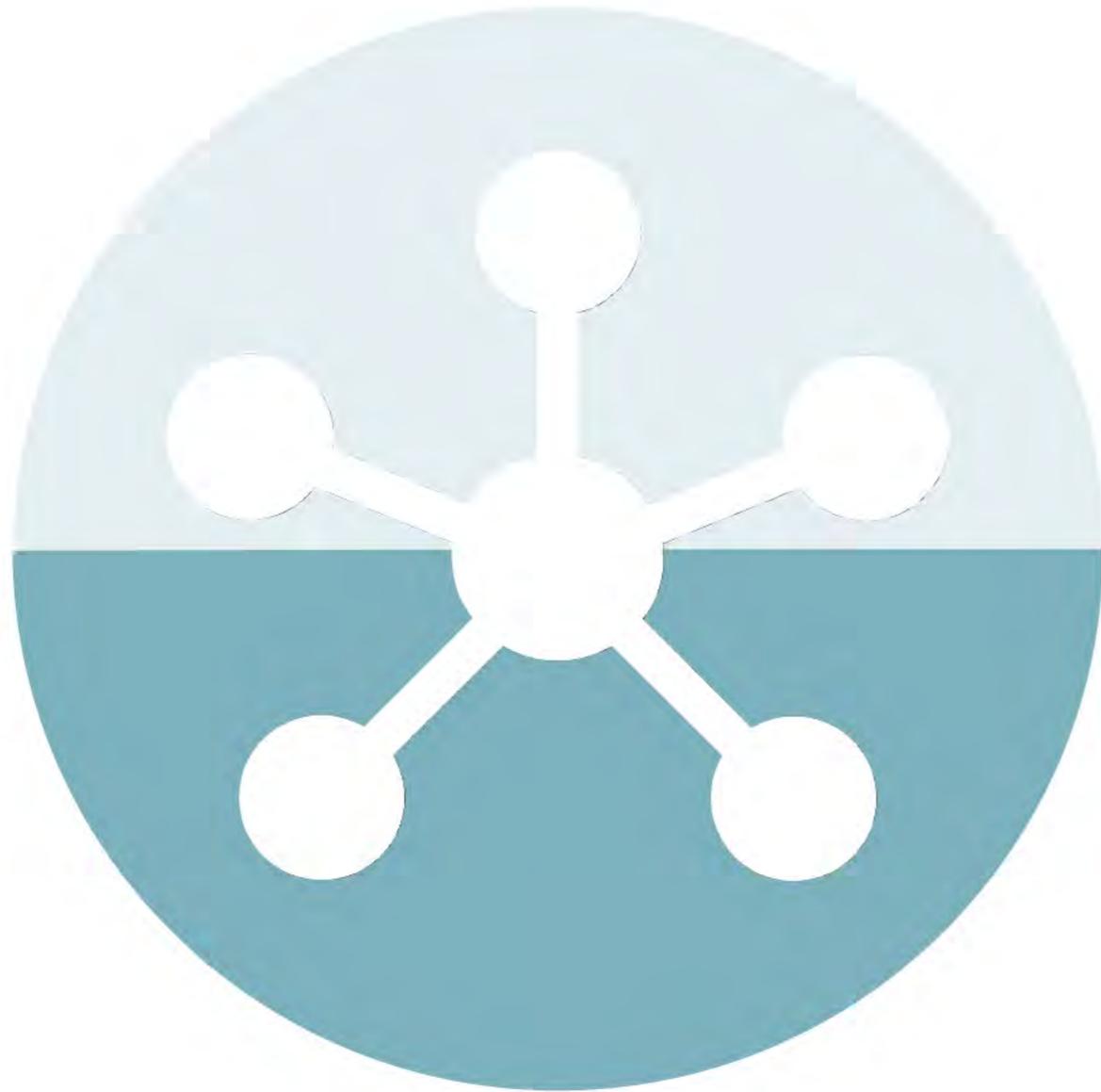
# Report to Congress on Capital Raising

What are the  
barriers to entry for  
entrepreneurs?



Challenges with  
information, education,  
or knowledge  
negatively impact

**1/2 of new  
entrepreneurs,**  
more than twice the rate  
for entrepreneurs with  
mature businesses

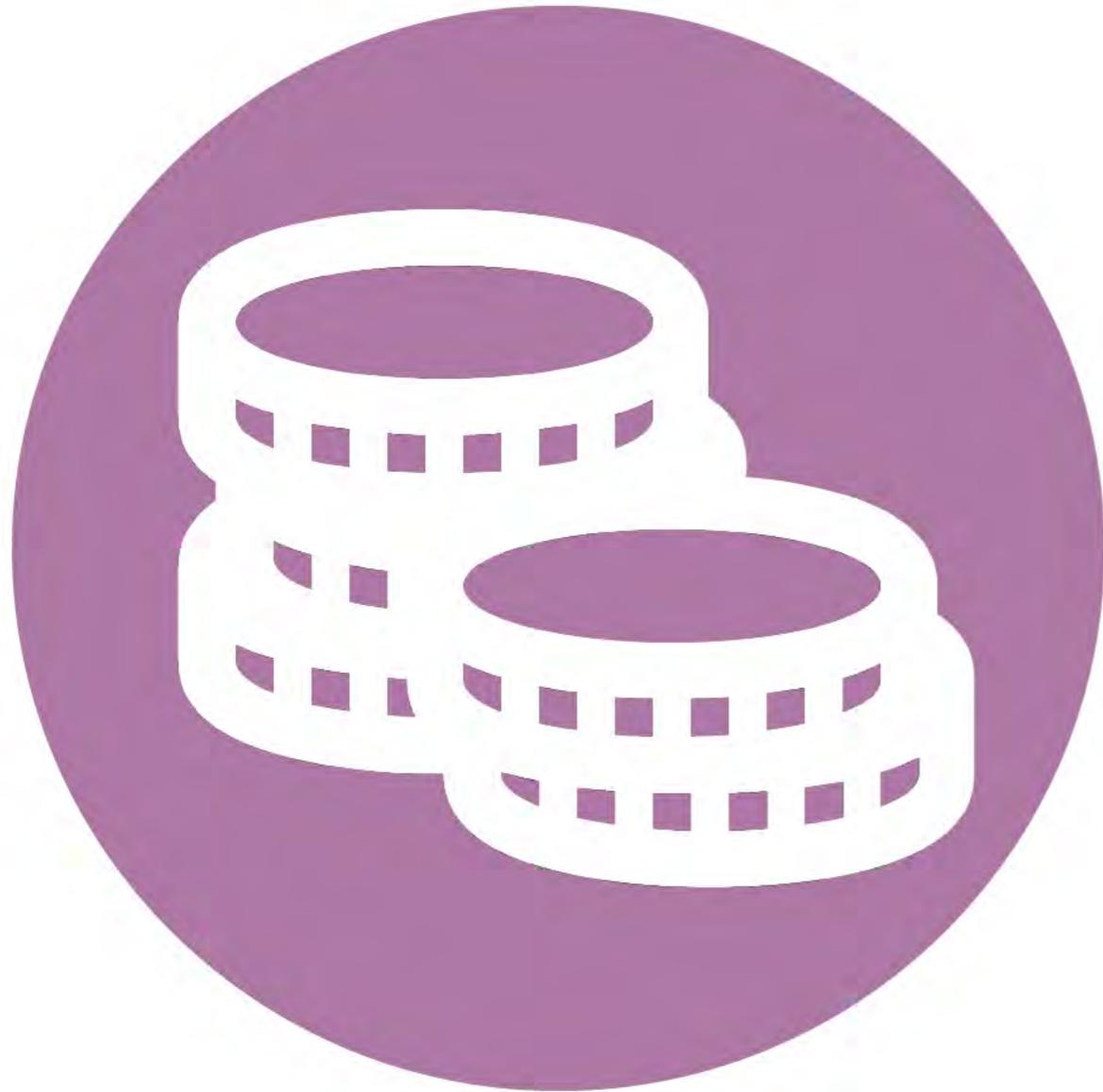


Challenges with networks  
and connections impact

**1/2 of**

**entrepreneurs**

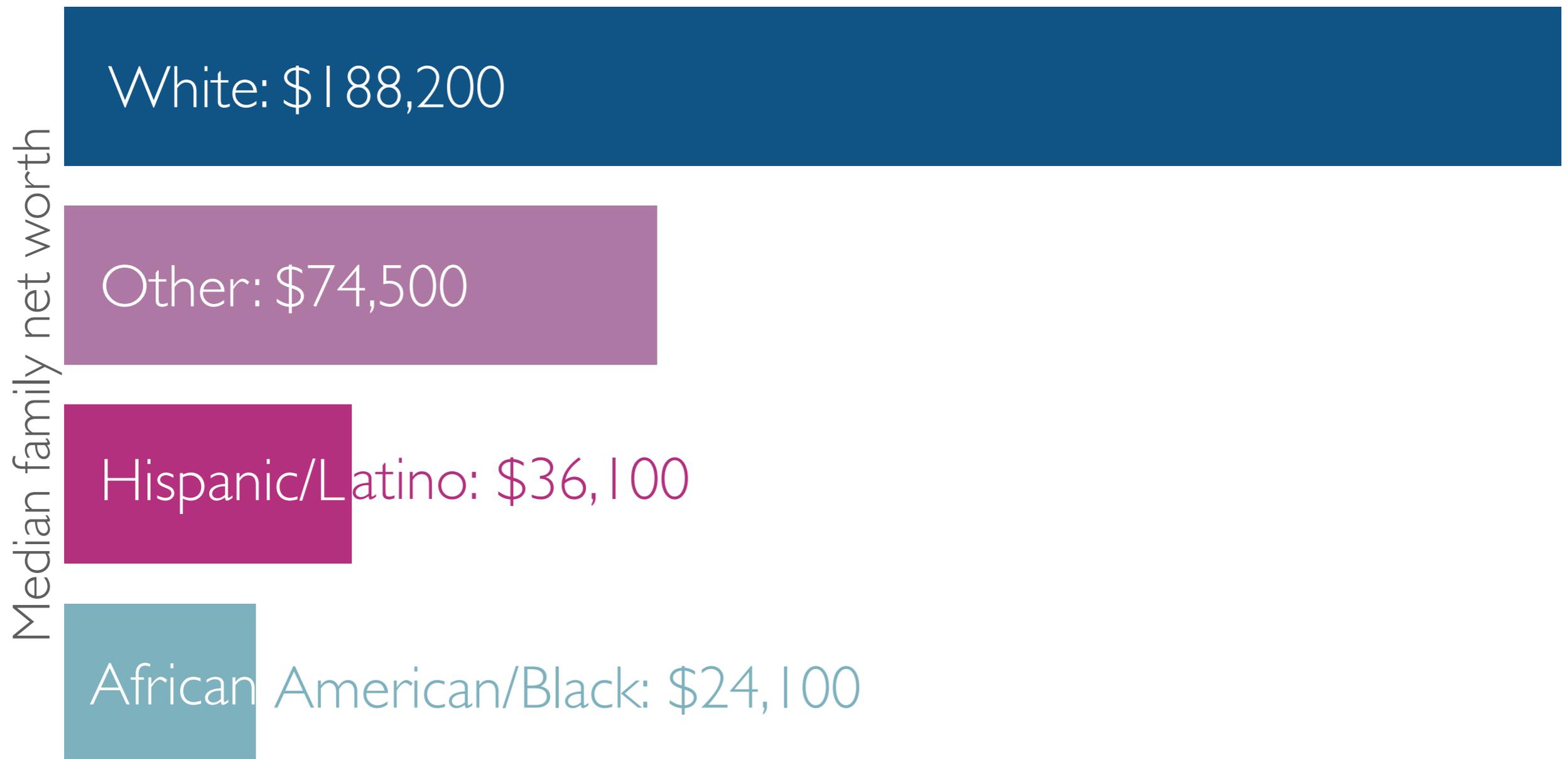
with newer businesses



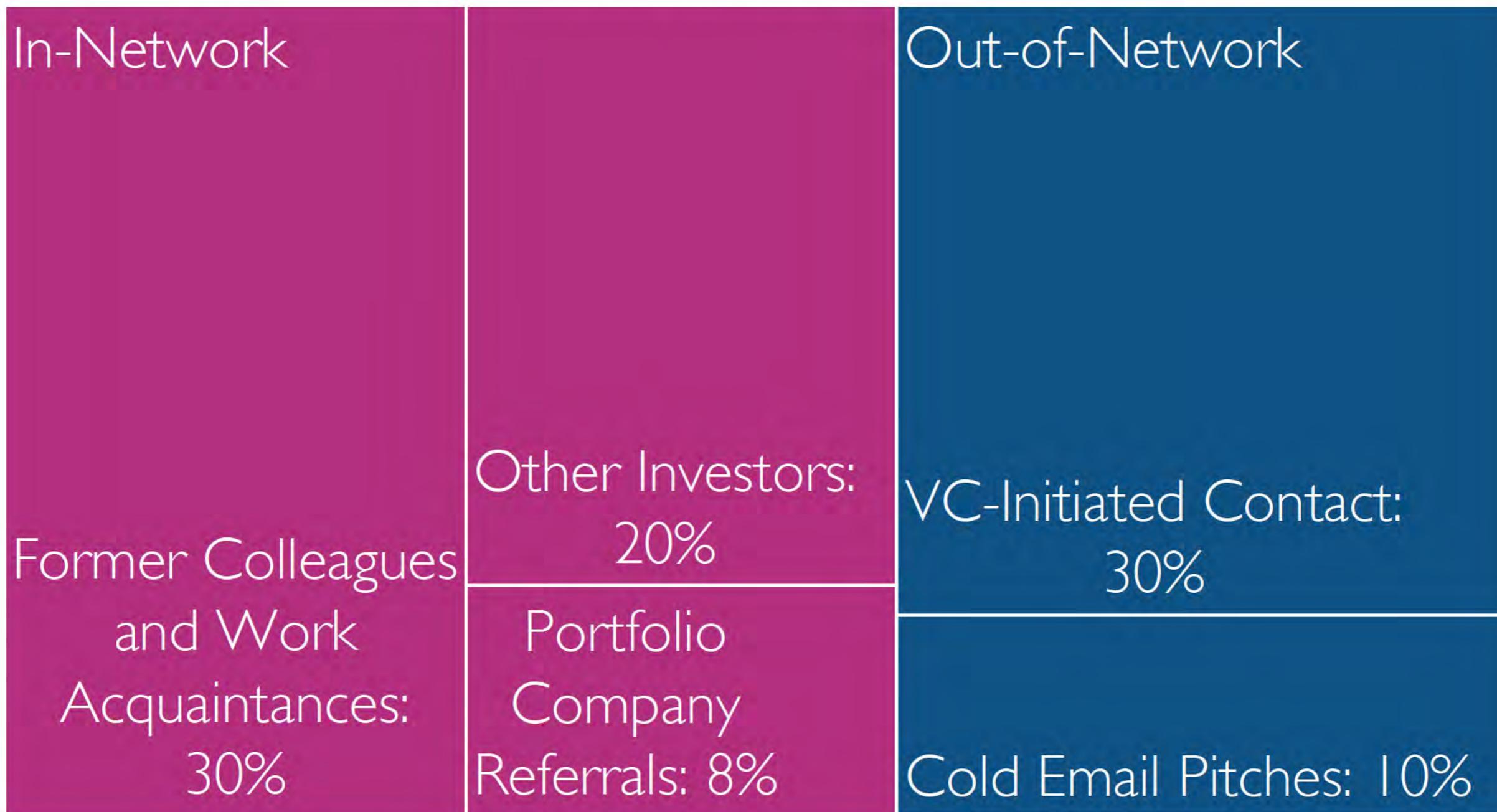
Running out of cash  
and an inability to raise  
new capital is the

**#1 reason  
startups fail**

The wide and persistent wealth gap across demographic groups creates barriers to entry for many underrepresented entrepreneurs

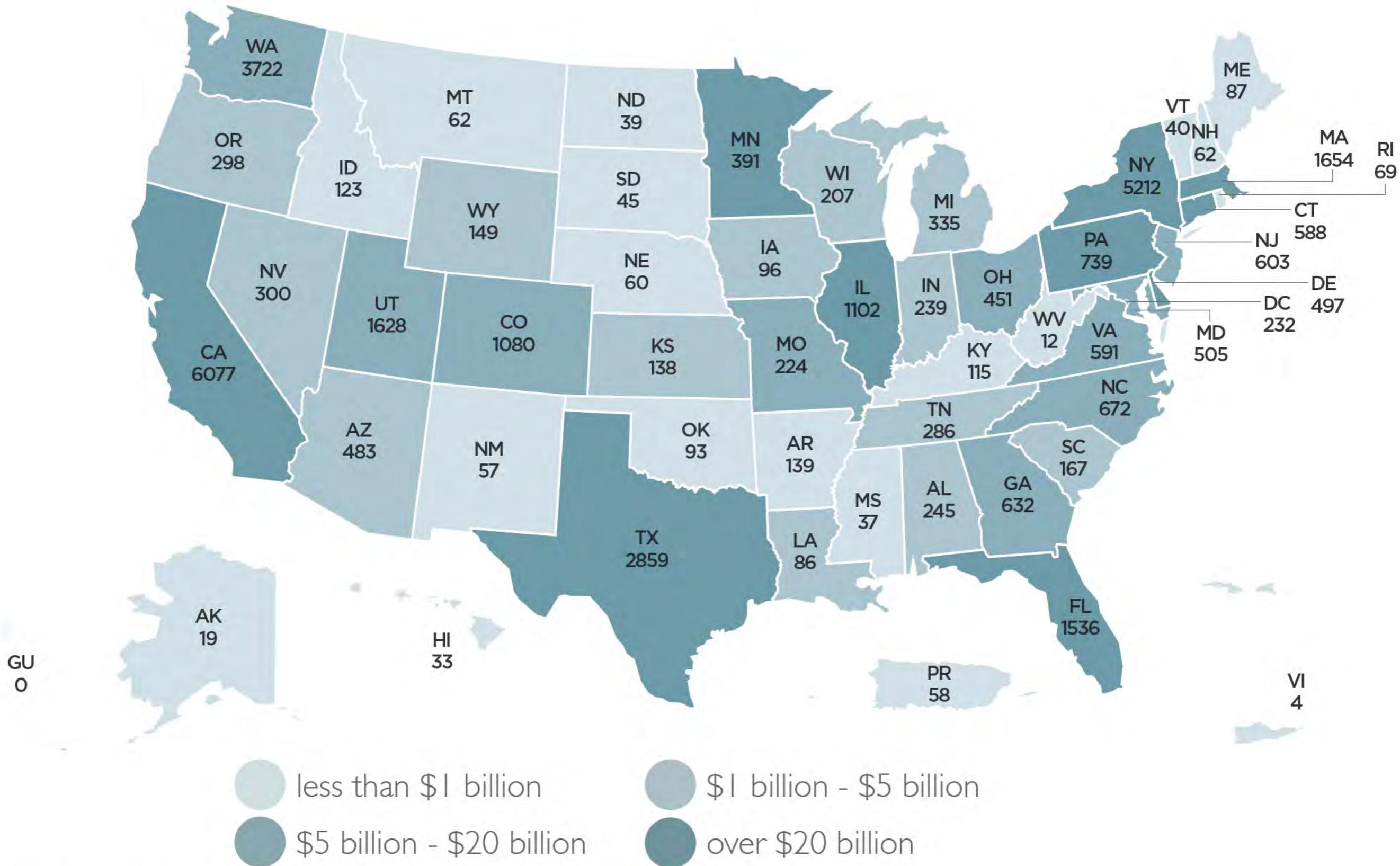


As companies seek to grow and scale,  
network connections continue to impact companies'  
access to capital



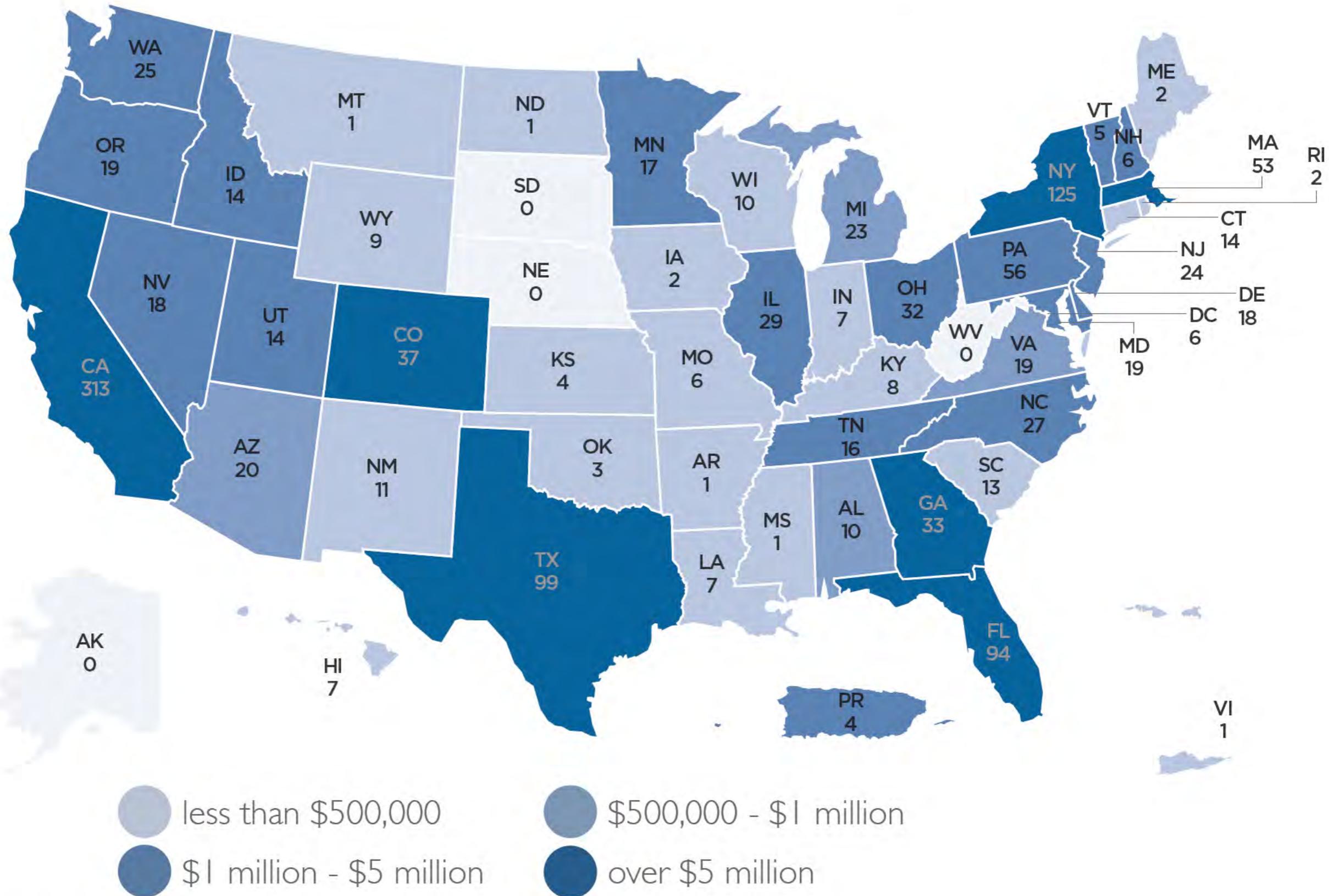
How does capital raising differ across different geographic areas?

# Regulation D

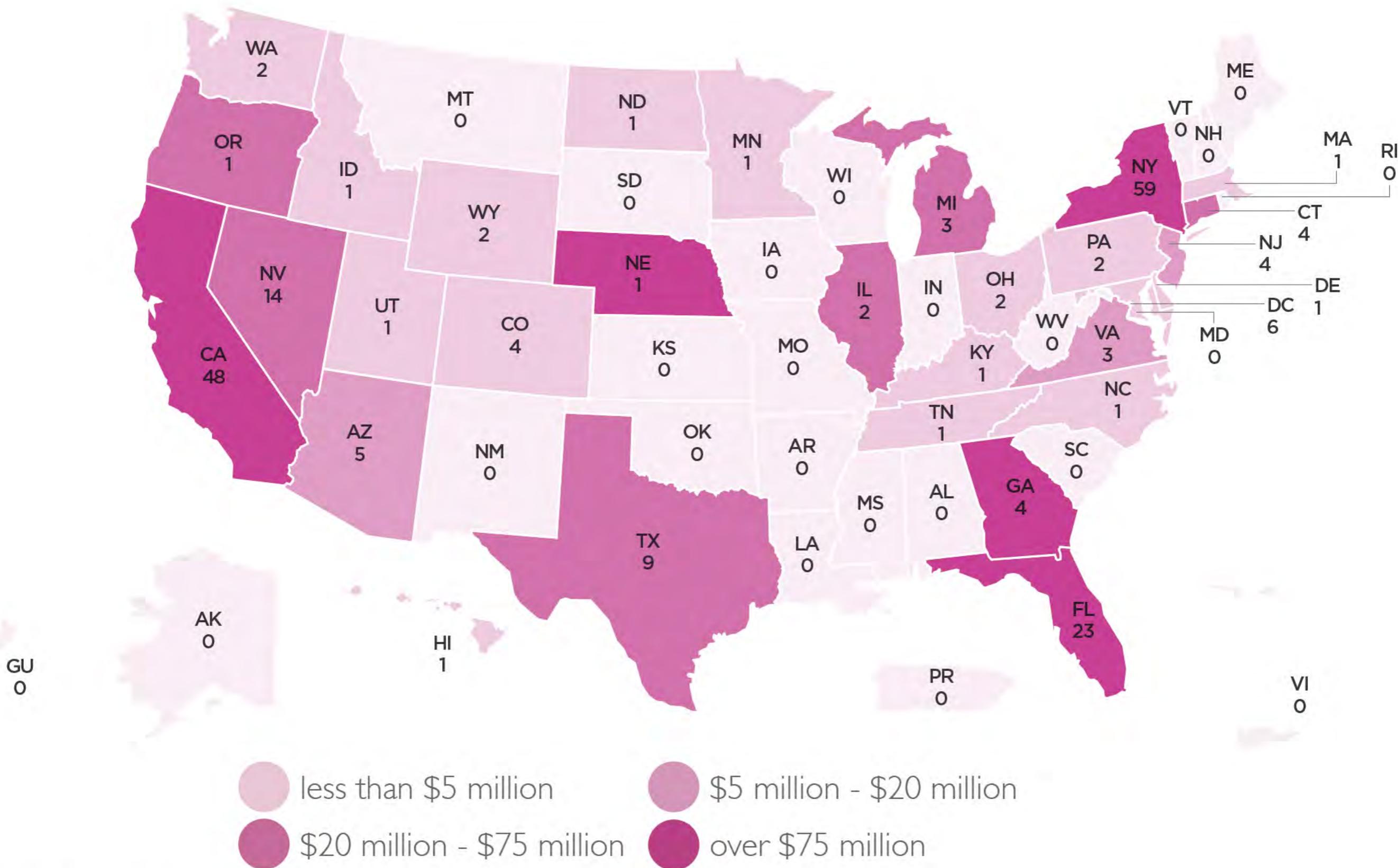


Source: see 2021 Annual Report p. 14; This graphic is based on DERA data.

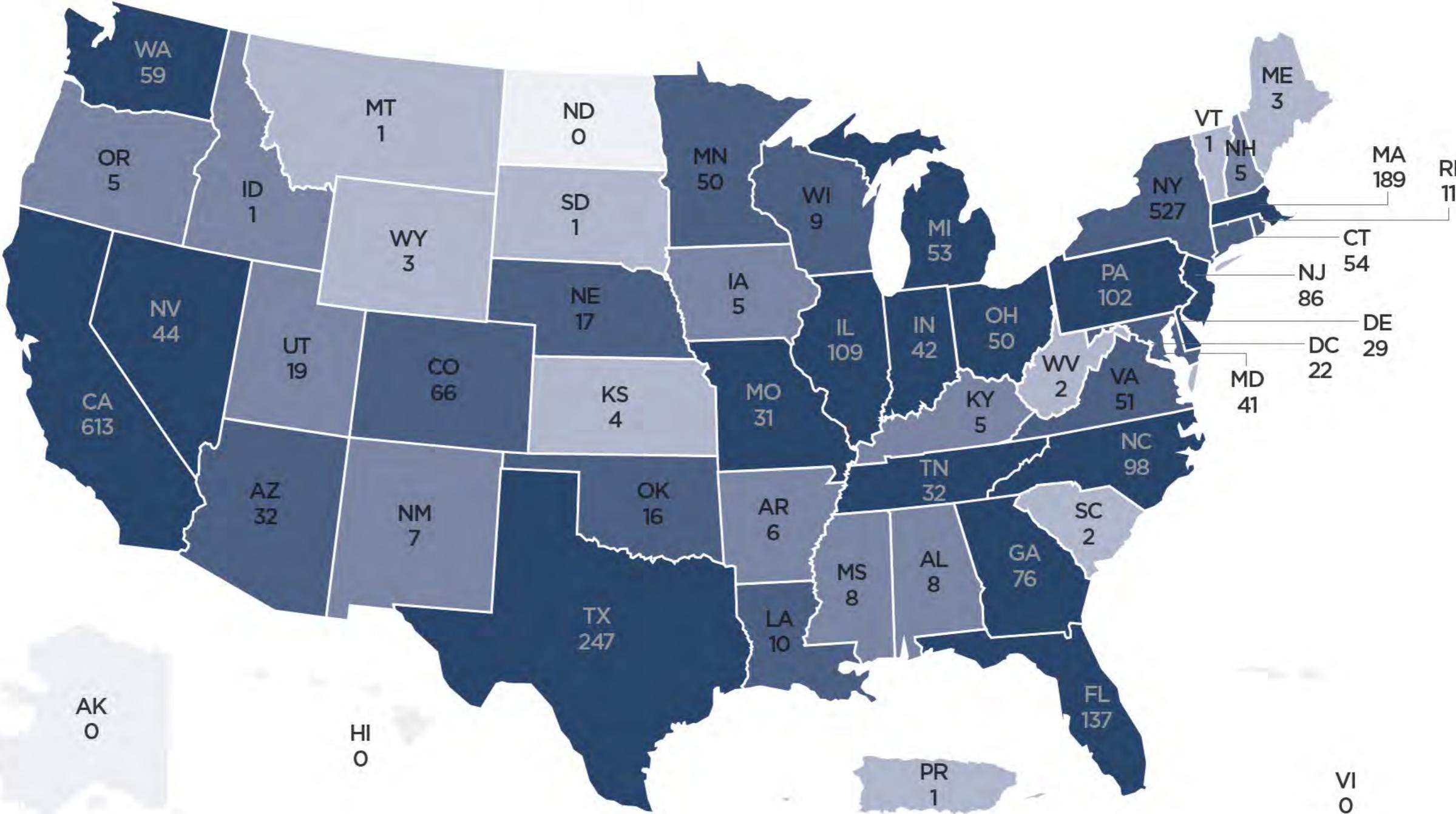
# Regulation Crowdfunding



# Regulation A



# Registered Offerings



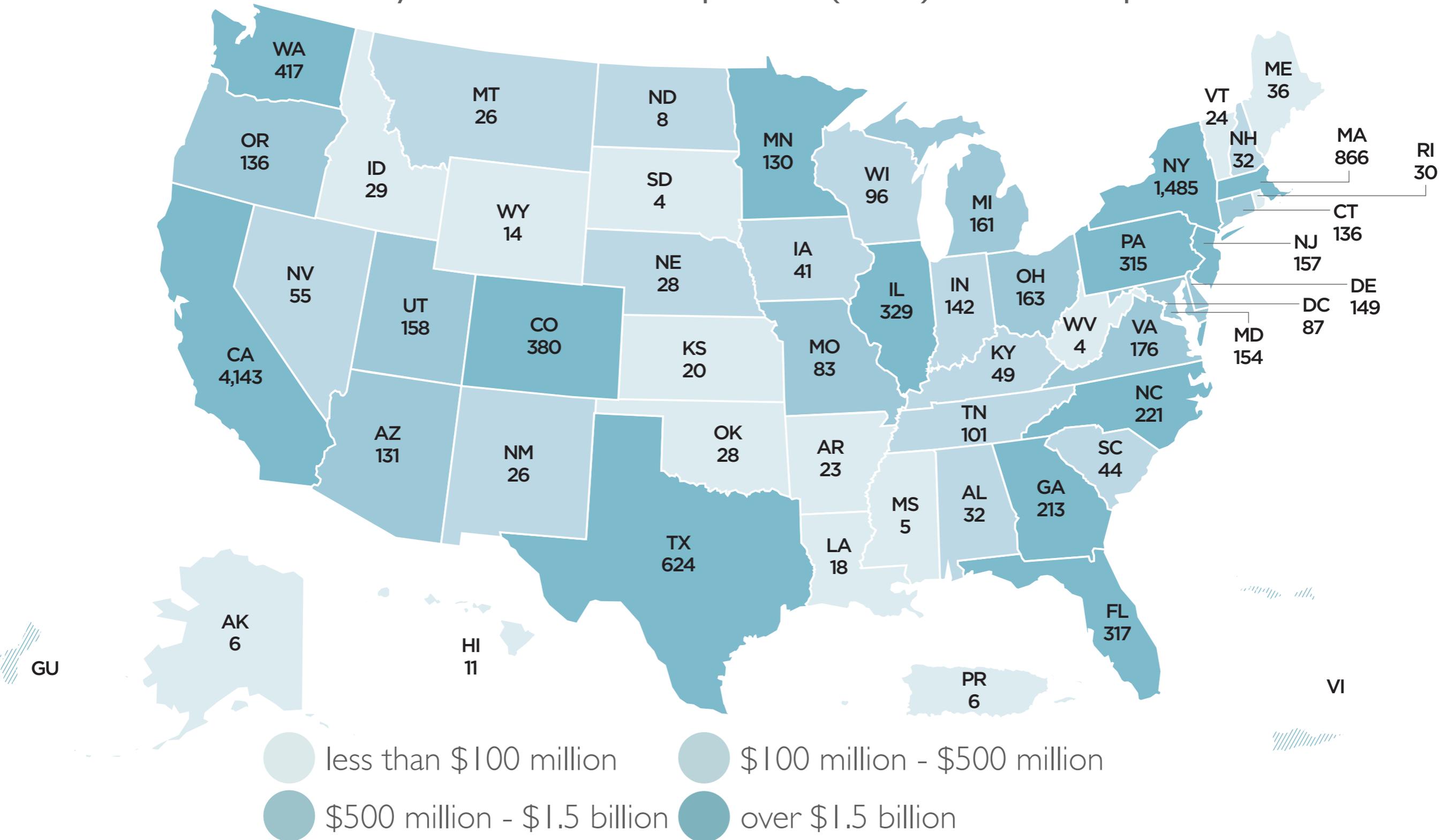
Source: see 2021 Annual Report p. 15; This graphic is based on DERA data.

Both individual angels and angel groups tend to focus on their local communities.

The distance between lead investors and the target company averages only

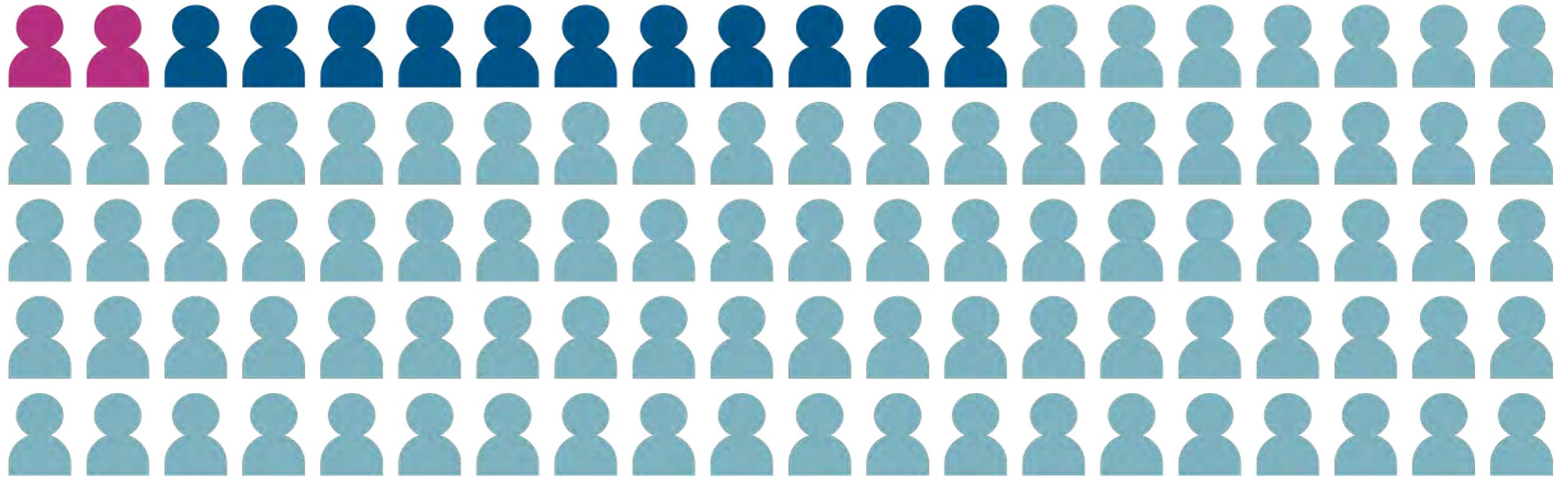


# While concentrated in tech hubs, growth startups backed by venture capital (VC) are dispersed



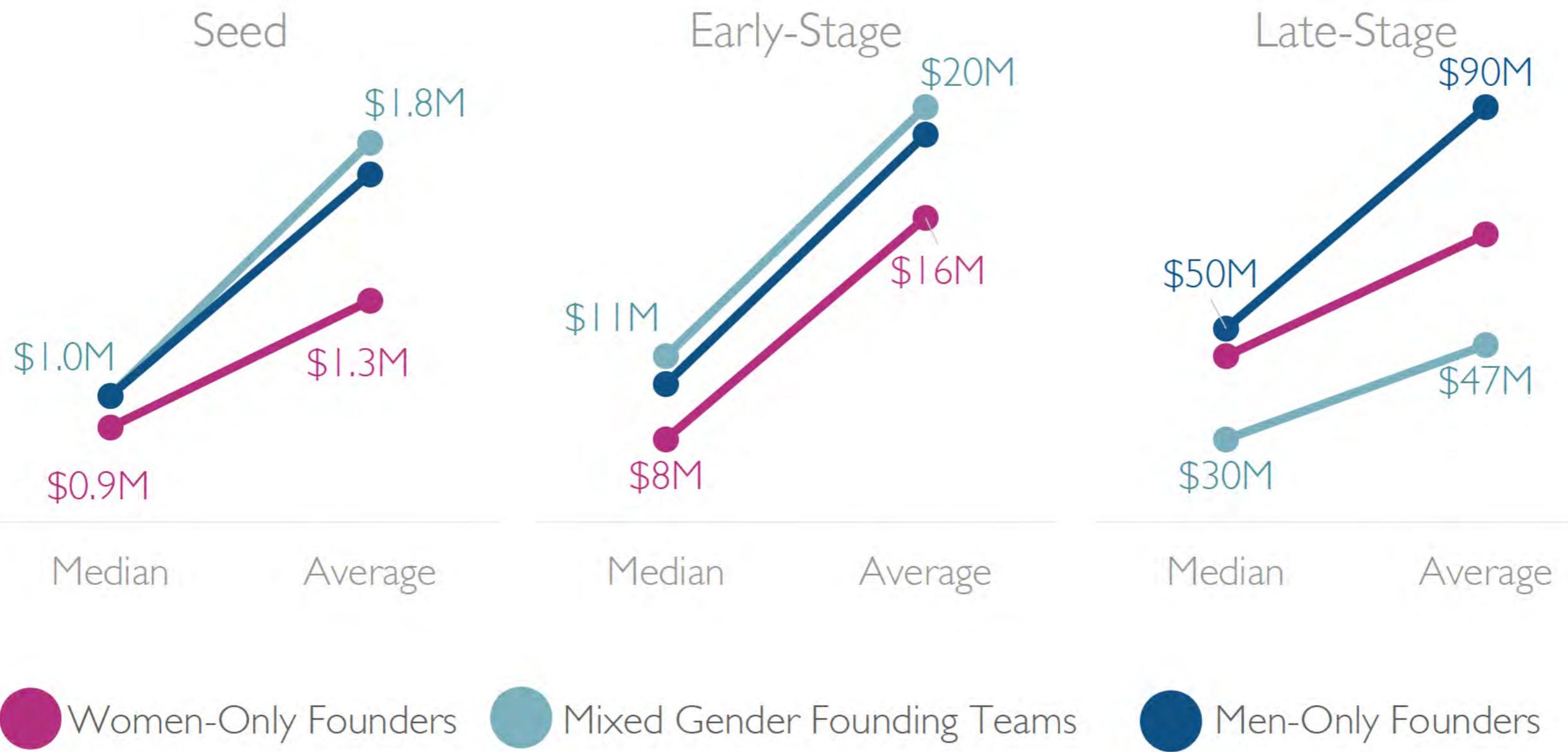
Source: see 2021 Annual Report p. 26; PitchBook-NVCA, "Venture Monitor Q2 2021," (July 13, 2021). The map does not include data for Guam or the U.S. Virgin Islands.

How are women-  
and minority-led  
businesses accessing  
capital?



**2.3%** of venture dollars went to women-only founding teams in 2020 (down from 3.3% in 2019), and **10.8%** went to women/men co-founding teams (down from 11.9% in 2019)

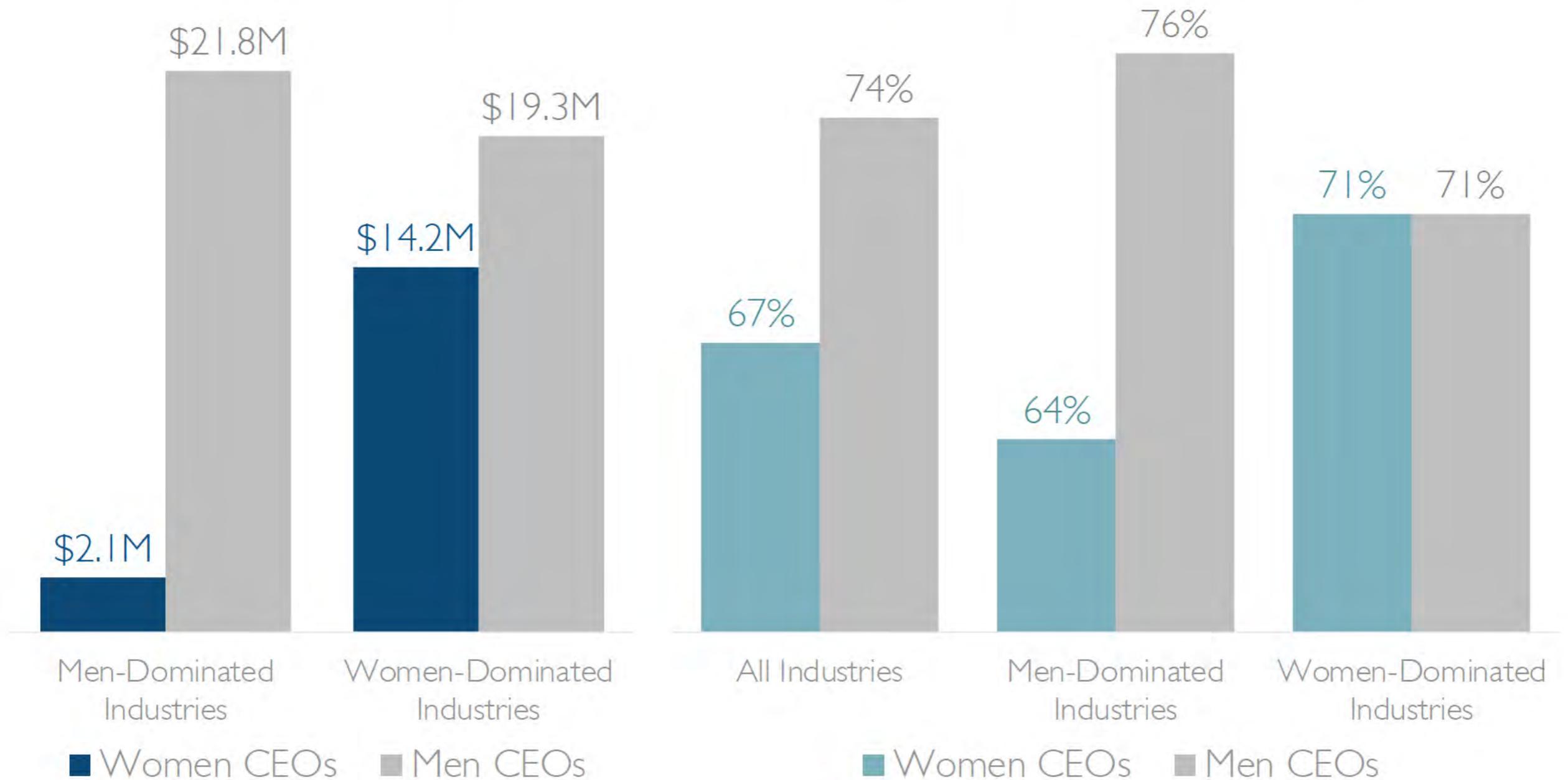
Among the women in 2020 who did raise capital, the women-only founders raised less per funding round than their men counterparts

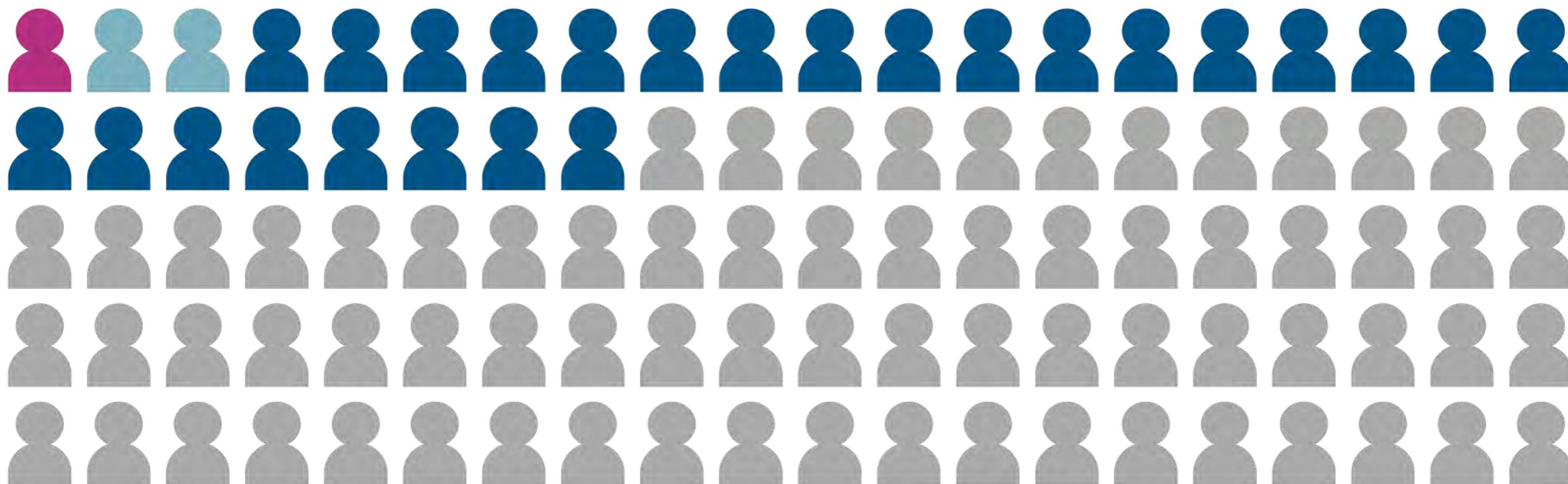


# Investors penalize women-founders for perceived “lack of industry fit”

## Average Funding

## Average Retained Equity





**28%** of VC-backed founders are **Hispanic/Latino (1.3%)**, **African American/Black (1.7%)**, or **Asian American/Pacific Islander (25.2%)**, an aggregated increase from 23% in 2017

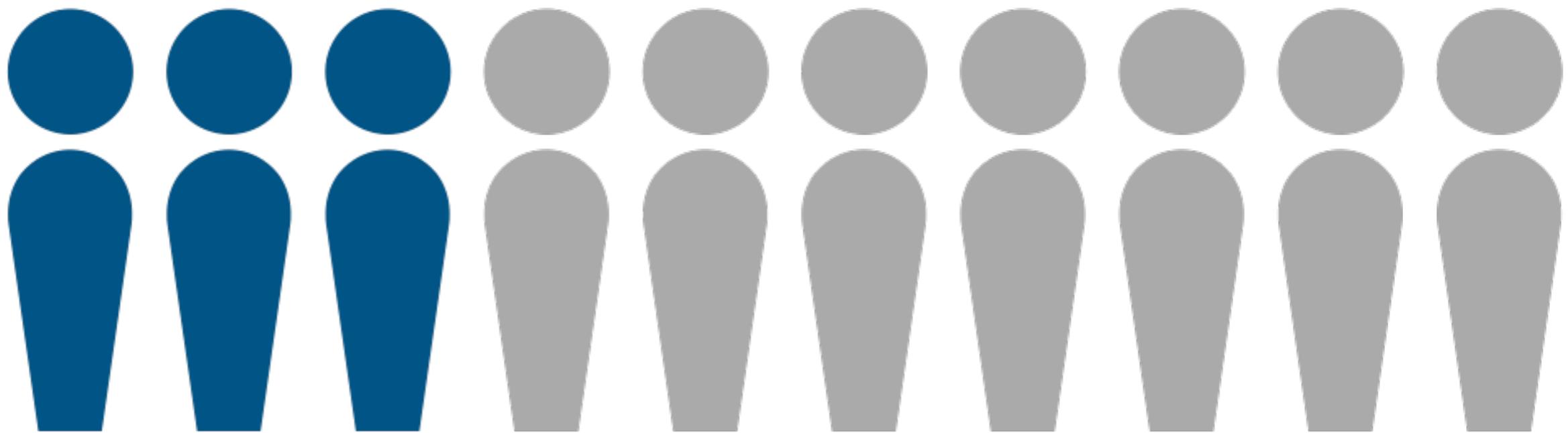
...this is in stark contrast to the rate of new entrepreneurship in 2020,



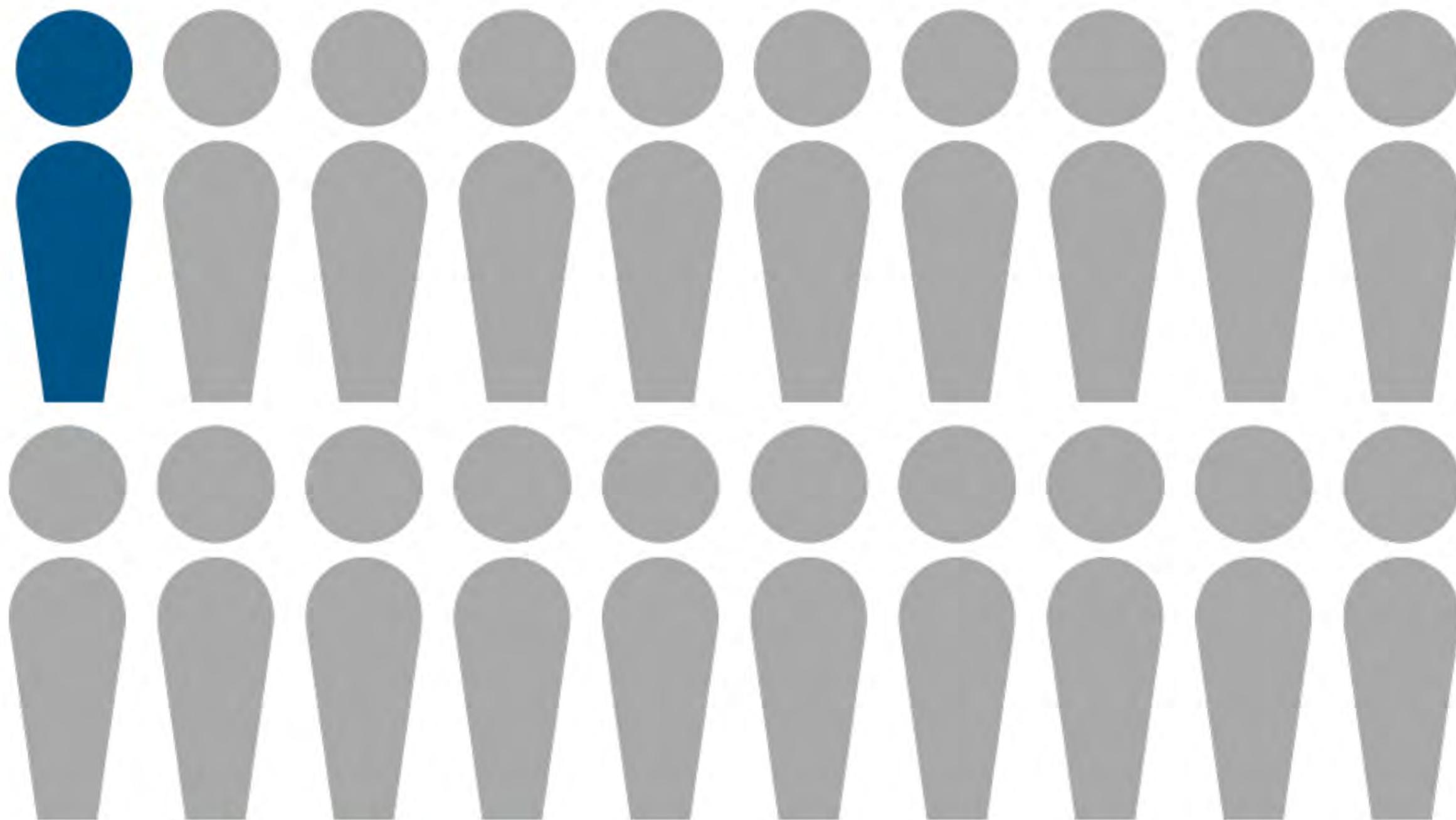
which largely reflects population by race and ethnicity



What are the demographics of investors in small businesses?

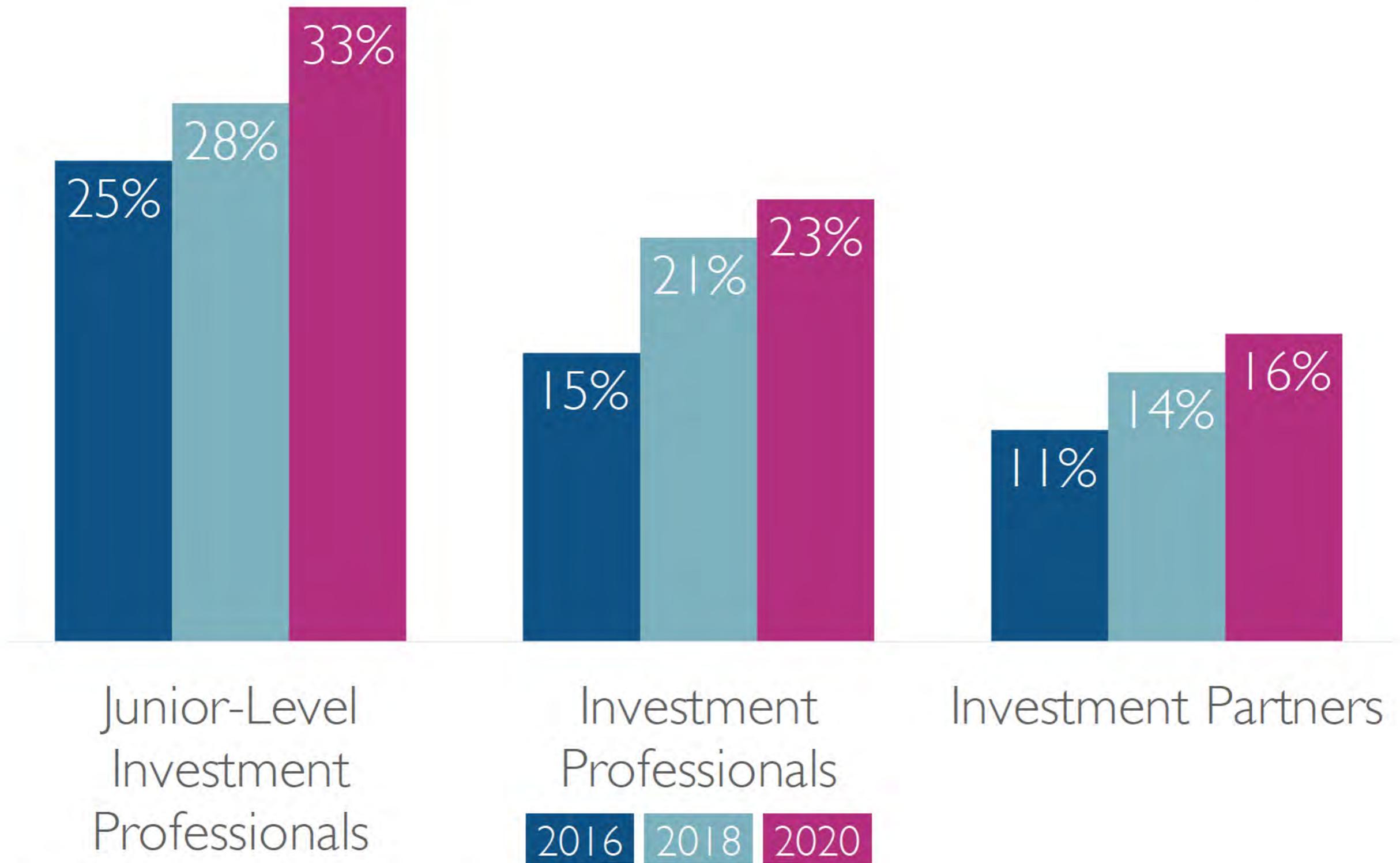


**29.5%** of angel investors in 2020  
were women



**5.5%** of angel investors in 2020  
were minorities

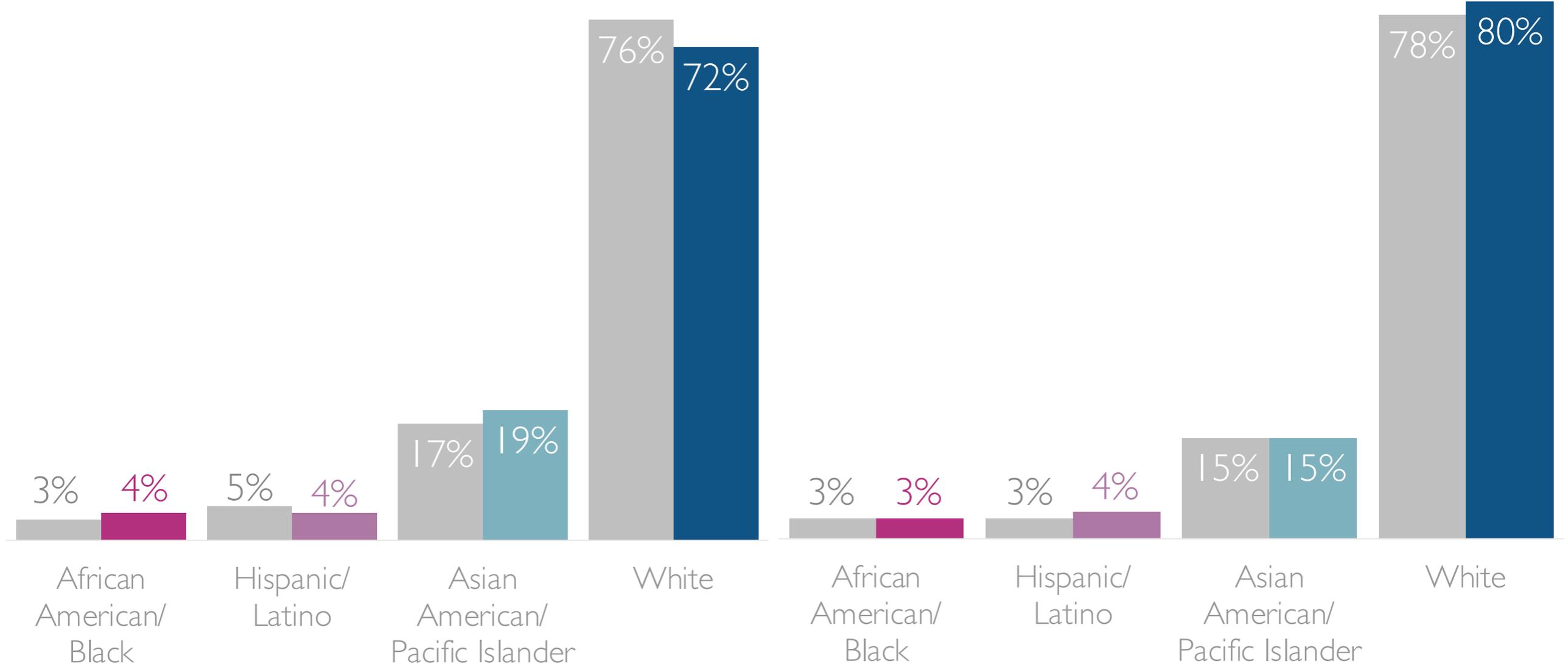
# Women remain underrepresented among decision-makers within the venture capital industry



Minorities are still underrepresented among decision-makers within the venture capital industry, although firms have shown some progress from 2018 (gray bars) to 2020 (colored bars)

Investment Professionals

Investment Partners

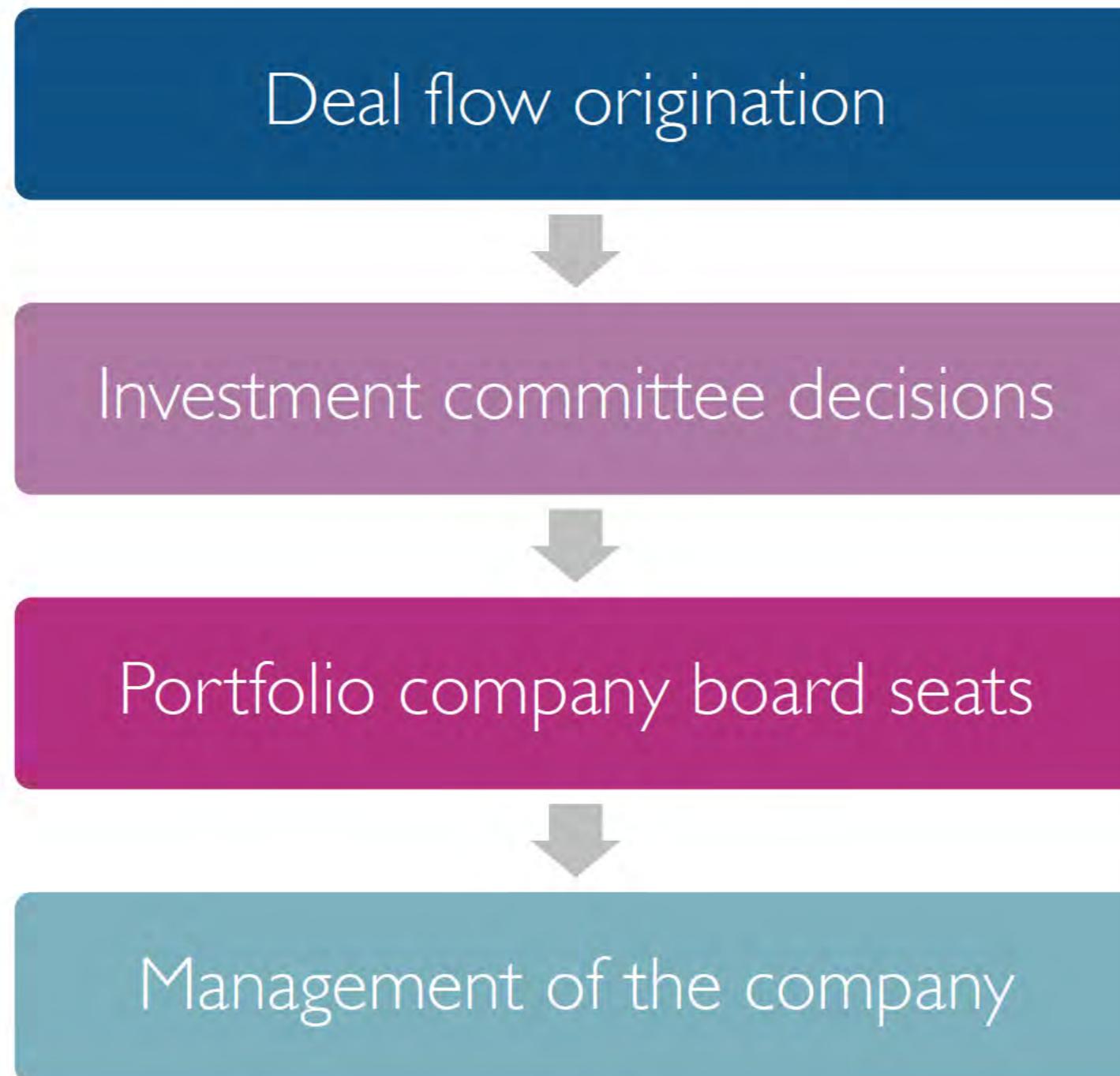




## 55% of VC firms

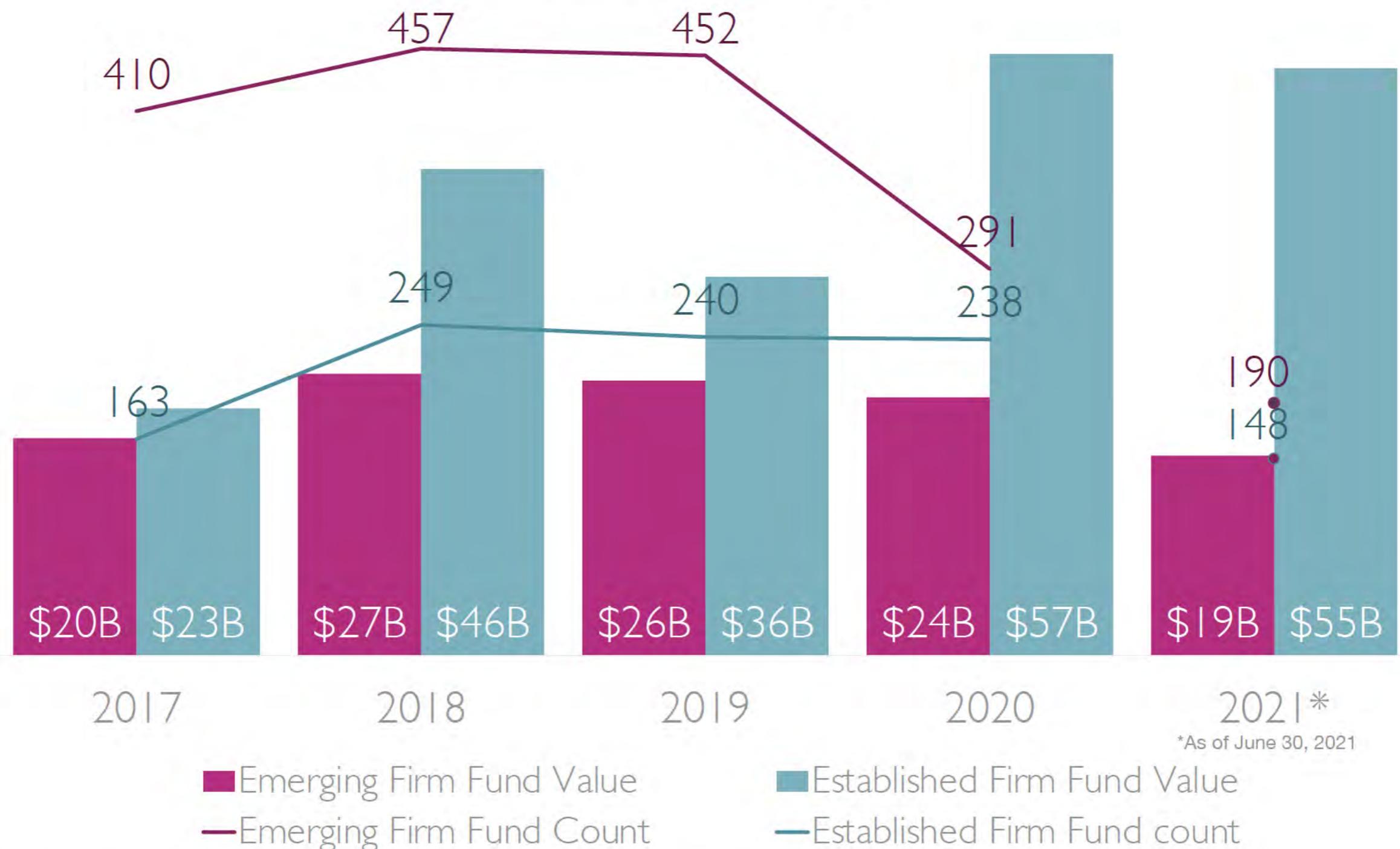
have recently brought on more women or minority LPs, fund managers, partners, or board members

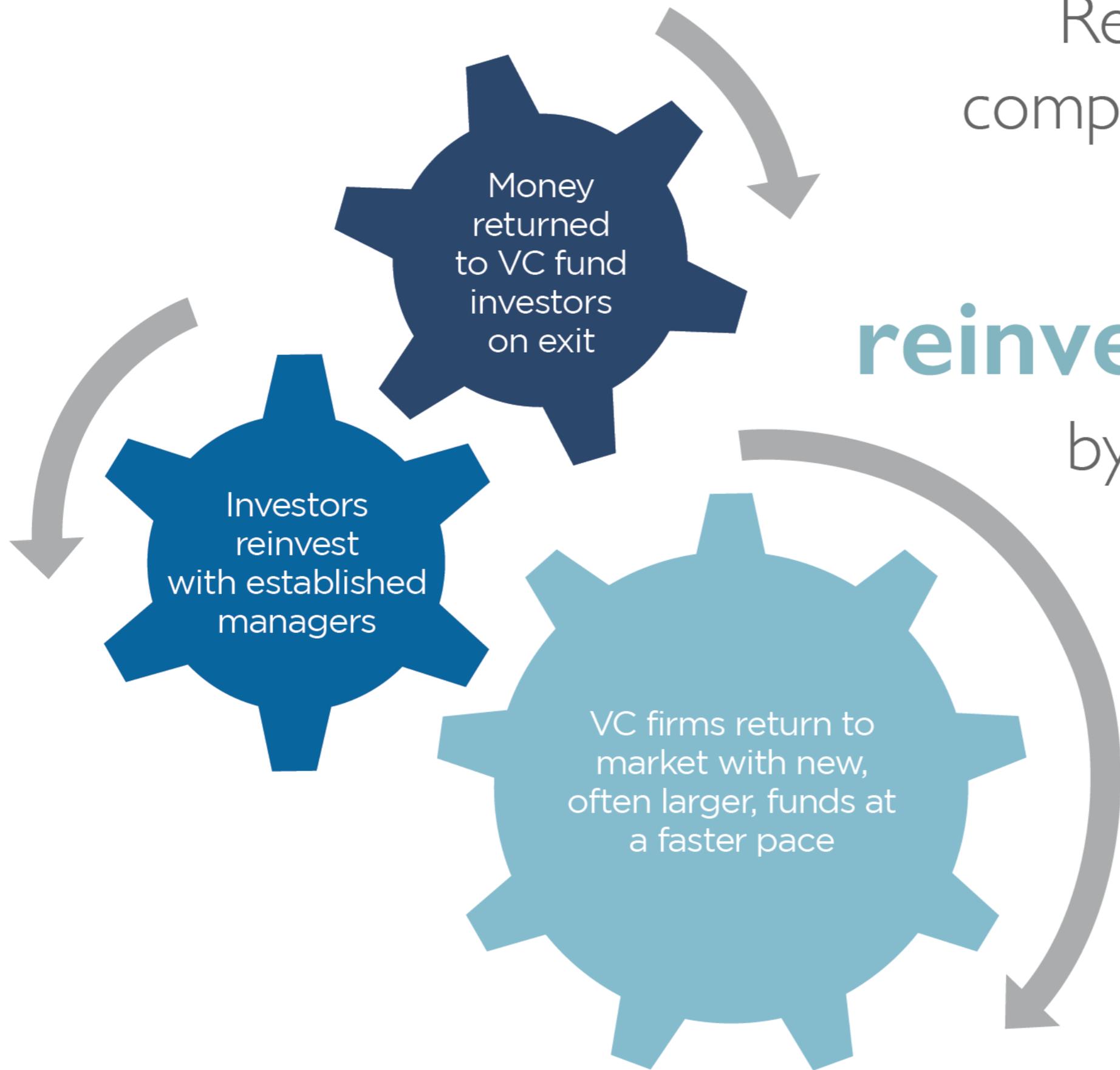
Diversity among investment professionals directly impacts how the funds operate, and importantly the founders in whom the funds invest



How are small and regional funds faring?

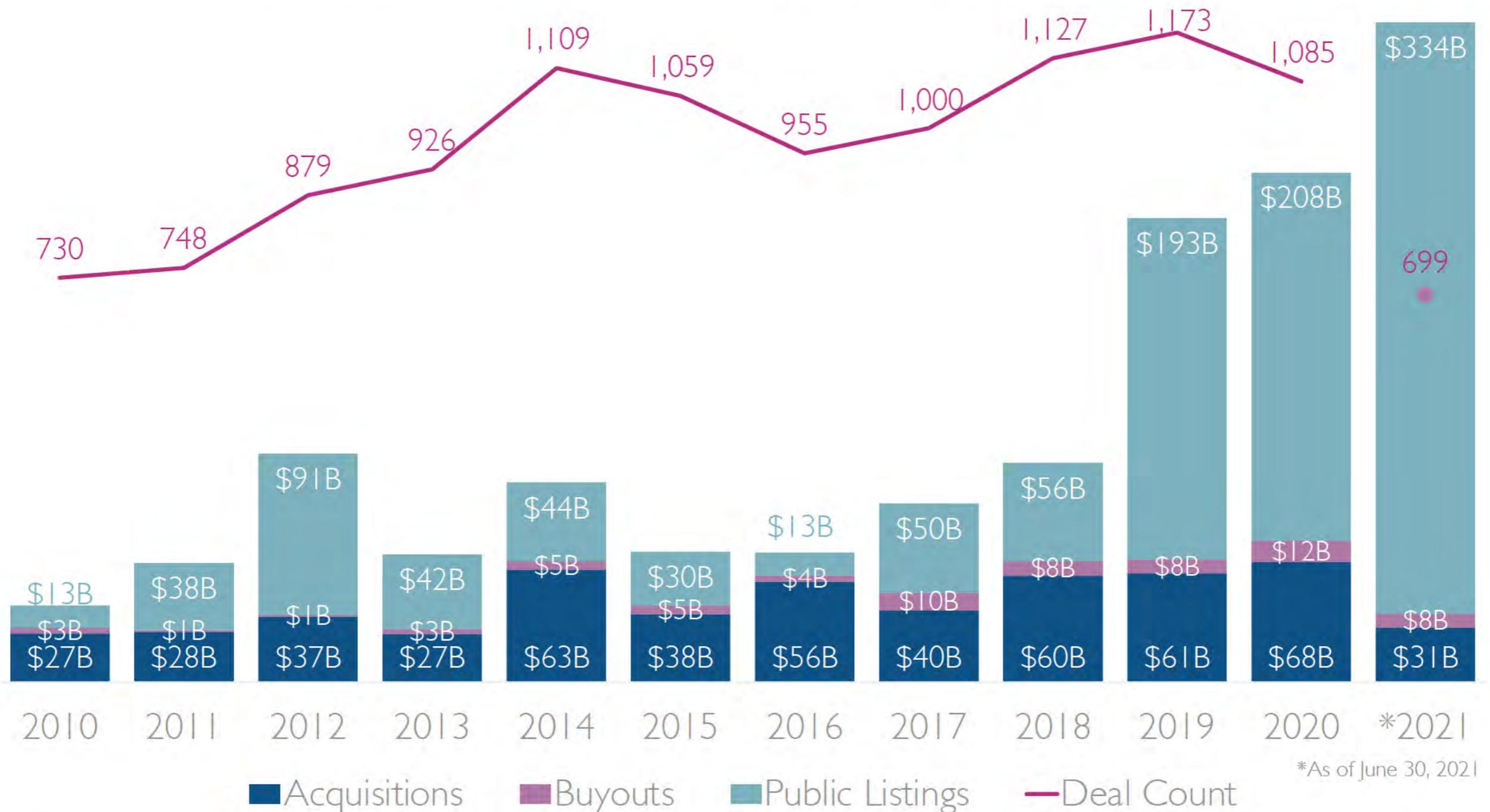
# Fundraising by new and emerging managers has not kept pace with record levels of overall venture fundraising





Recent portfolio company exits have **fueled reinvestments** by LPs into new VC vehicles

Venture-backed exit activity in the first half of 2021 surpassed the 2020 high water mark by nearly 30%, fueled predominantly by public listings



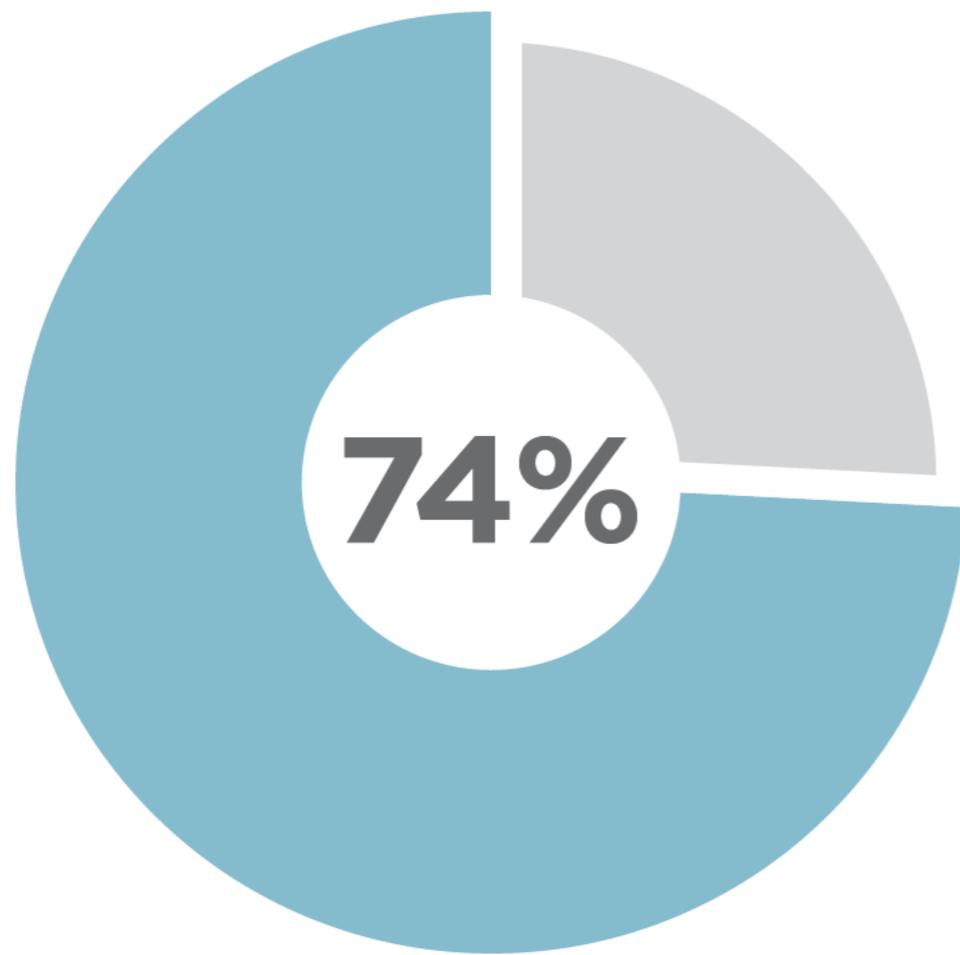
\*As of June 30, 2021

How are non-traditional VC investors impacting capital raising?

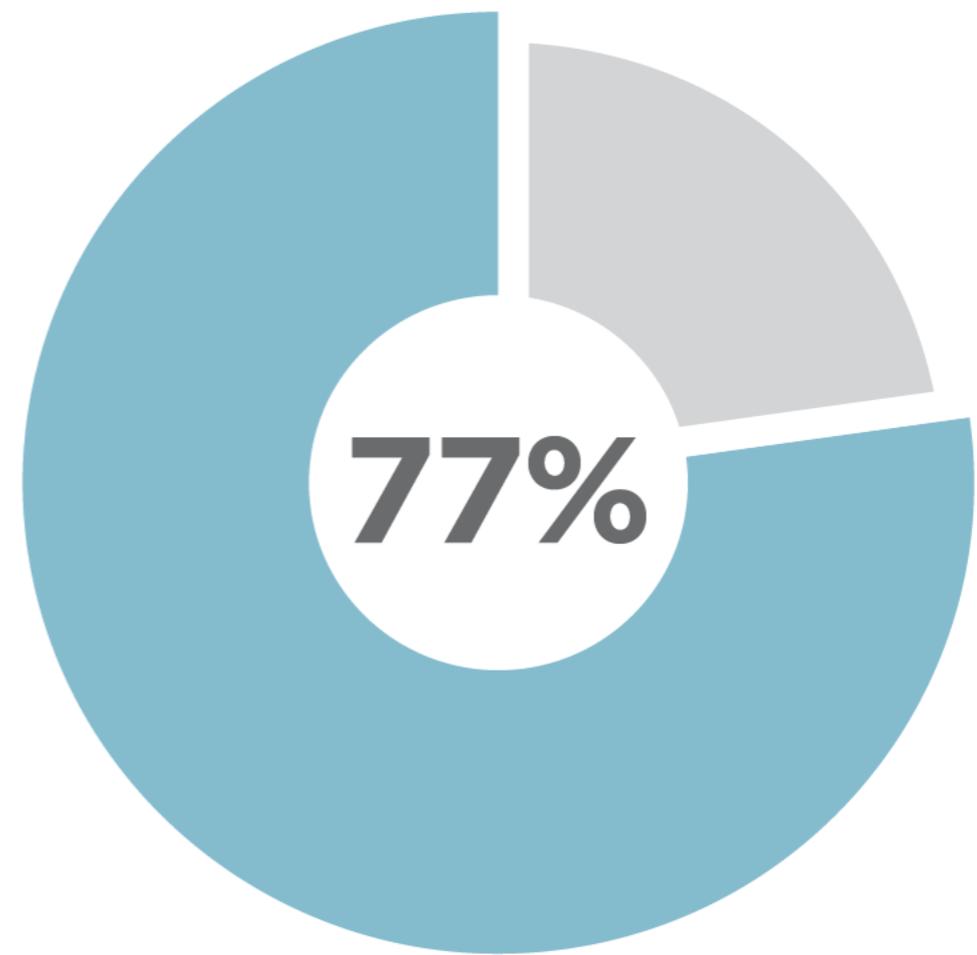
# Nontraditional investor participation is driving up median pre-money valuations in later-stage VC deals



A significant percentage of companies going public in 2020 were backed by crossover investors



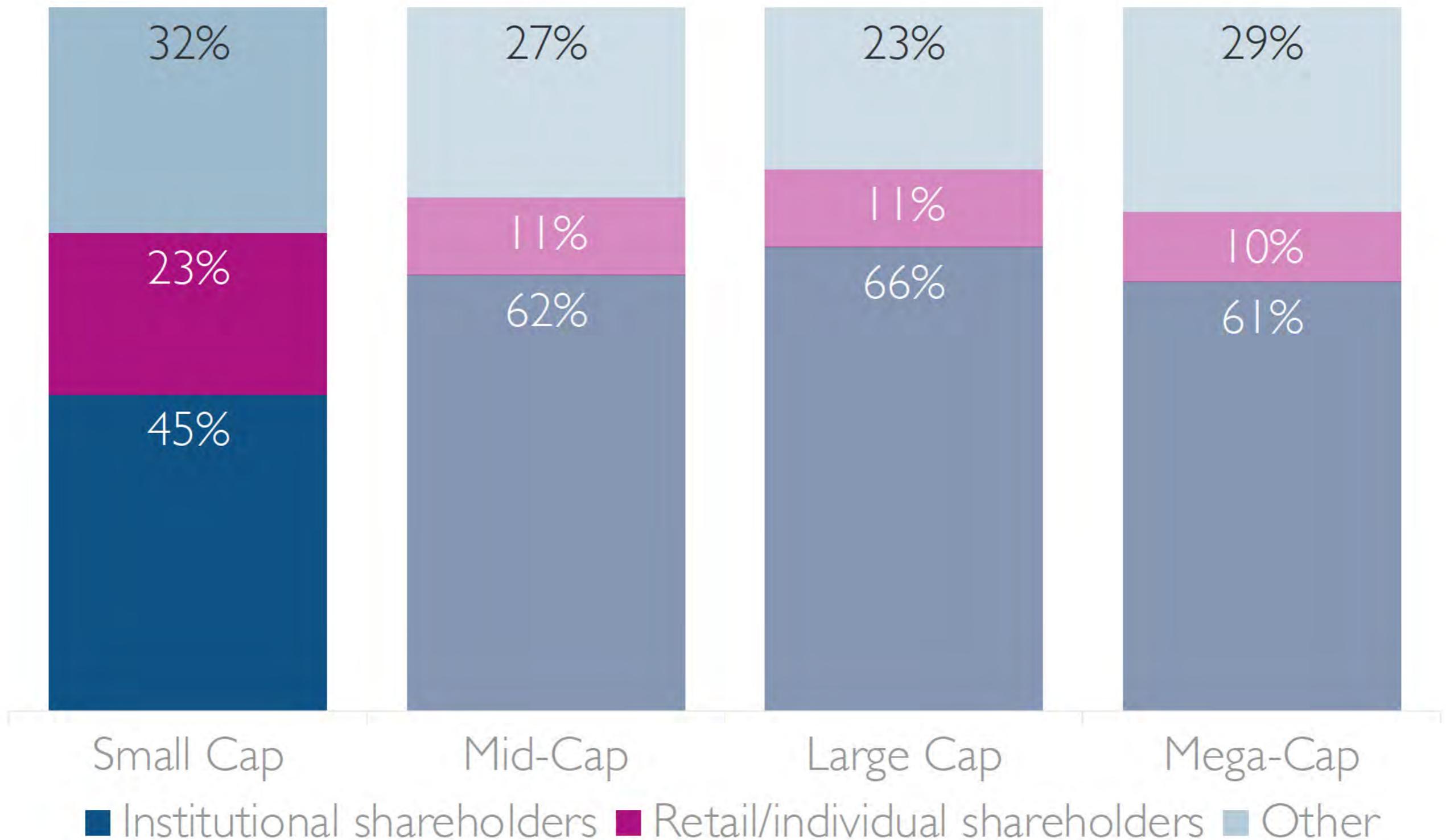
IPOs by Count



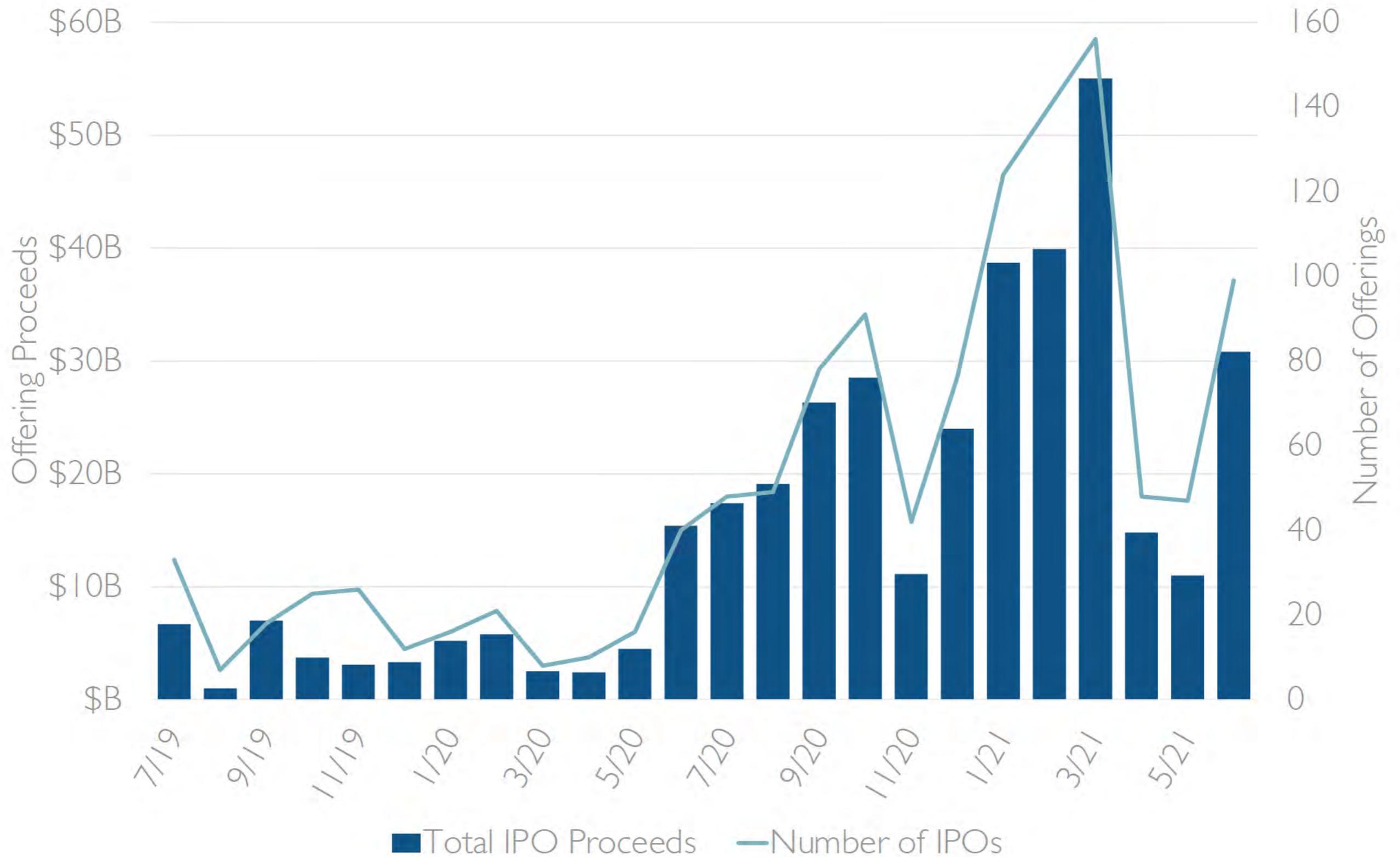
IPOs by Value

What trends are impacting IPOs and smaller public companies?

Small public companies are seeing an increasing number of retail investors in their shareholder base



# 2020 and 2021 saw a marked increase in IPO activity



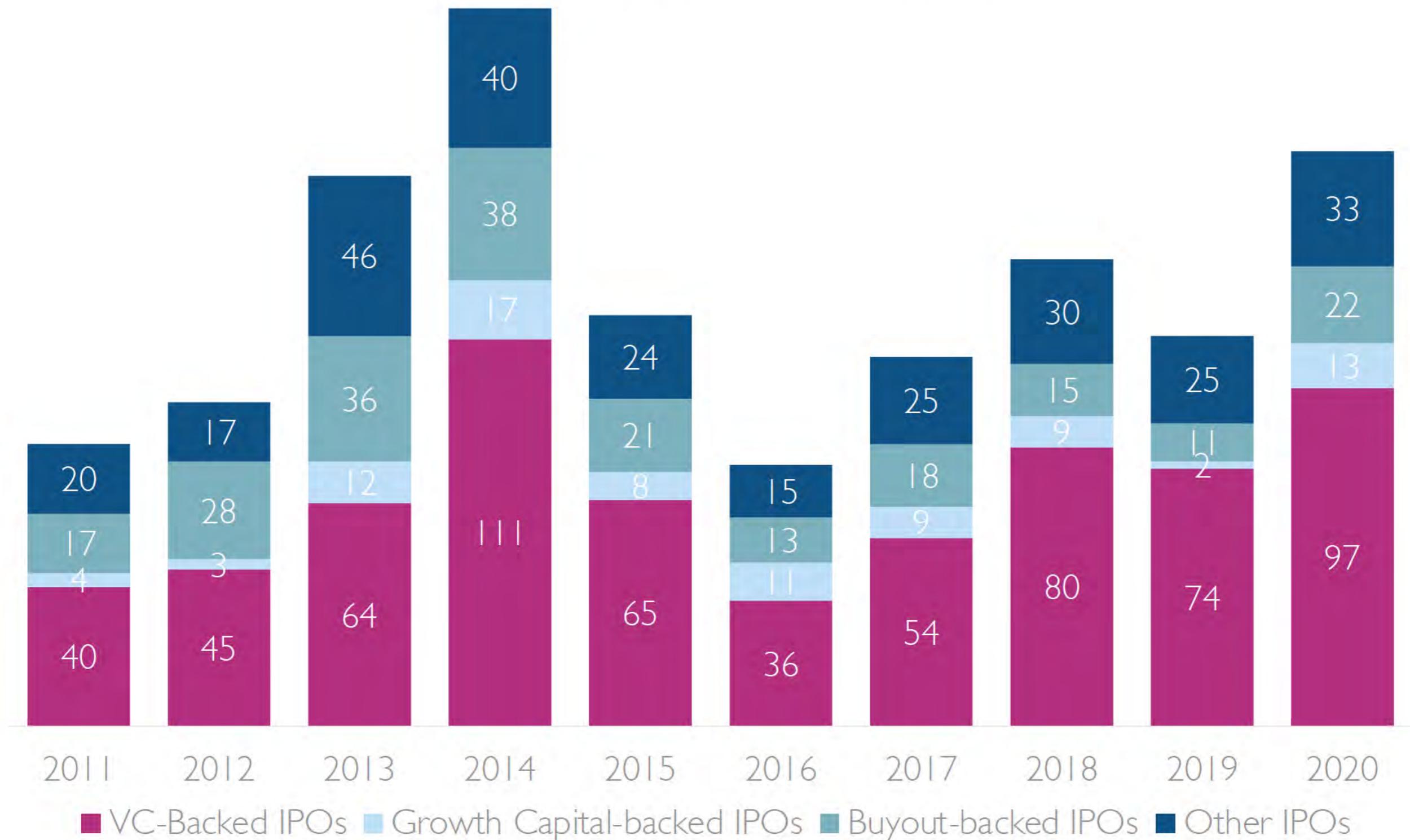
1,005 entrants into the public market  
from July 1, 2020 to June 30, 2021  
average proceeds of \$318M

429 non-SPAC IPOs  
average proceeds of \$359M

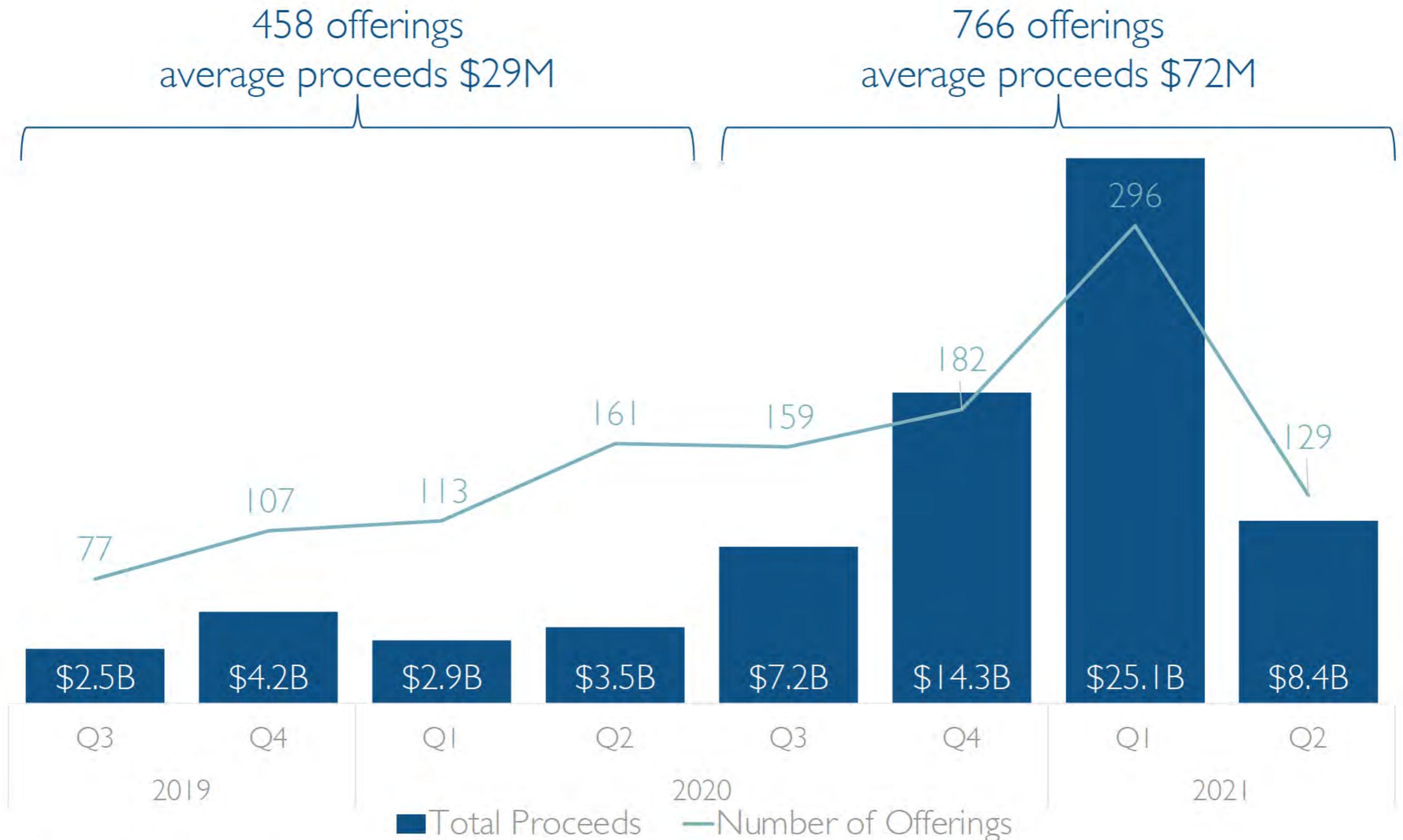
569 SPAC offerings  
average proceeds of \$286M

7 direct listings

# VC-backed companies continue to be the majority of exchange-listed IPOs



# Small public companies have seen growth in equity offering activity over the last year



Source: see 2021 Annual Report p. 37; this graphic is based on DERA data.

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